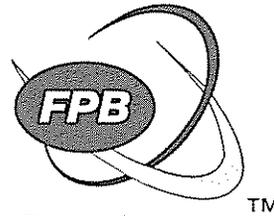


Warner J. Caines
General Manager



Frankfort Plant Board TM

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SEP 19 2008

PUBLIC SERVICE
COMMISSION

September 19, 2008

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

RE: Case No. 2008-00250

Dear Ms. Stumbo:

Enclosed for filing are:

- An original and six copies of FPB's responses to the Commission's Order of September 5, 2008.
- An original and six copies of FPB's responses to Peaks Mill and Elkhorn Water Districts First Set of Interrogatories and Request for Production of Documents.

Thank you for your assistance with this matter. If you have any questions, please contact me at 352-4541 or hprice@fewpb.com.

Sincerely,

Hance Price
Staff Attorney

HP/mw
Enclosure
cc: Tom Marshall
Don Prather
Chron File

Equal Opportunity/Affirmative Action Employer

VOLUME 1 OF 1

Response to PSC
Order of 9/5/08



Frankfort Plant Board

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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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SEP 19 2008

PUBLIC SERVICE
COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF) CASE NO. 2008-00250
FRANKFORT ELECTRIC AND WATER)
PLANT BOARD)

RESPONSE TO PSC ORDER OF SEPTEMBER 5, 2008

1. Provide an electronic copy of the Cost of Service Study in Microsoft Excel or Lotus 1-2-3 format. Make sure that all formulas and calculations are included in the spreadsheet so as to verify how each number and dollar amount are calculated and allocated.

Witness(es): Paul Herbert, Connie Heppenstall

Response: Attached

2. Refer to page 7 of Paul Herbert's testimony, which is Exhibit 2 to Item 1 of the Plant Board's Response to Order of July 2, 2008. Mr. Herbert stated that "fire demand costs were allocated to public and private fire protection service in proportion to the relative potential demands on the system by public fire hydrants and private service lines as presented in Schedule C on page 31. If the Plant Board's wholesale customers do not provide fire protection to their customers, state why the costs associated with fire flow demand should be allocated to those wholesale customers.

Witness(es): Paul Herbert, Connie Heppenstall

Response: Attached

3. Refer to the Independent Auditors Report for the Year Ended June 30, 2007 and Schedule B of the Cost of Service Study. Data from the expense accounts listed in each document do not appear to match. Provide a detailed reconciliation between the Plant Board's test period actual revenues and expenses and its most recent audit report.

Witness(es): Shannon Taylor

Response: Attached

4. Refer to the Independent Auditors Report for the Year Ended June 30, 2007. Provide written explanations and detailed workpapers for each adjustment made to the test period actual revenues and expenses used to determine the Plant Board's revenue requirement.

Witness(es): Paul Herbert, Connie Heppenstall, Shannon Taylor

Response: Attached

5. Refer to the Cost of Service Study at page 4 of Schedule B. The chart lists the cost of service on capital projects to be \$1,136,245. List each capital project included within this amount, state the time period during which each project will be constructed, and explain why the cost of each of these projects is being allocated to wholesale water customers.

Witness(es): Paul Herbert, Connie Heppenstall, Shannon Taylor

Response: Attached

6. Identify and quantify all post-test period expenditures that were capitalized by the Plant Board.

Witness(es): Shannon Taylor

Response: Attached

7. Refer to the Cost of Service Study at page 4 of Schedule B. Provide a detailed schedule listing each debt included in the debt service on bonds of \$1,077,473.

Witness(es): Paul Herbert, Connie Heppenstall, Shannon Taylor

Response: Attached

8. Refer to the data listed under the heading Transmission and Distribution in the Cost of Service Study at page 1 of Schedule B. For each of the following expenses, provide in detail the components and the allocation of each itemized expense, including a detailed breakdown of each expense

- a. Water Distribution Expenses - Mains
- b. Water Distribution Expenses - Meters
- c. Water Distribution Expenses - Services
- d. Water Dist Payroll - Mains
- e. Water Dist Payroll - Meters
- f. Water Dist Payroll - Services

Witness(es): Paul Herbert, Connie Heppenstall, Shannon Taylor

Response: Attached

CERTIFICATE OF SERVICE

I, Hance Price, certify that on the 19th day of September, 2008 a copy of this Response to PSC Order of September 5, 2008 was served by mail to Honorable Thomas A. Marshall, Attorney at Law, 212 Washington Street, P.O. Box 223, Frankfort, KY 40602, and by mail to Honorable Donald T. Prather, Mathis, Riggs & Prather, P.S.C. Attorneys at Law, 500 Main Street, Suite 5, Shelbyville, KY 40065 and by hand delivery of an original and six copies to Stephanie Stumbo, Executive Director, Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, KY 40602-0615.

Hance Price

CERTIFICATION

I, Hance Price, certify that I am the attorney supervising the preparation of these Responses on behalf of the Frankfort Electric and Water Plant Board and that the Responses and attachments thereto are true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry

Hance Price
Hance Price

Submitted By:

John N. Hughes / s/ Hance Price
John N. Hughes
124 West Todd Street
Frankfort, Kentucky 40601

Hance Price
Hance Price
317 West Second Street
Frankfort, Kentucky 40601

Attorneys for Frankfort Electric and
Water Plant Board

This the 19th day of September, 2008.

RESPONSE TO PSC

PSC CASE NO. 2008-00250

ITEM 1

Frankfort Electric and Water Plant Board
Response to PSC Order Dated: 9-5-2008
Case No. 2008-00250

ITEM 1: Provide an electronic copy of the Cost of Service Study in Microsoft Excel or Lotus 1-2-3 format, Make sure that all formulas and calculations are included in the spreadsheet so as to verify how each number and dollar amount are calculated and allocated.

Response: See attached Microsoft Excel files. This electronic version incorporates the changes in footage of mains, as well as excluding the use of Factor 16 in the rate base, as discussed in the response to questions raised at the informal conference.

Two files are included on the discs: one is titled "bill analysis" and computes revenue requirements. The other is titled "cost of service" and contains the allocation factors.

RESPONSE TO PSC

PSC CASE NO. 2008-00250

ITEM 2

Frankfort Electric and Water Plant Board
Response to PSC Order Dated: 9-5-2008
Case No. 2008-00250

ITEM 2: Refer to page 7 of Paul Herbert's testimony, which is Exhibit 2 to Item 1 of the Plant Board's Response to Order of July 2, 2008. Mr. Herbert stated that "fire demand costs were allocated to public and private fire protection service in proportion to the relative potential demands on the system by public fire hydrants and private service lines as presented in Schedule C on page 31.," If the Plant Board's wholesale customers do not provide fire protection to their customers, state why the costs associated with fire flow demand should be allocated to those wholesale customers.

Response: Costs associated with private and public fire are allocated to private and public fire customers alone using their relative potential demands. See Schedule A of the Cost of Service Study, Exhibit 2 to Item 1. None of the costs associated with private and public fire protection are allocated to the wholesale class.

RESPONSE TO PSC

PSC CASE NO. 2008-00250

ITEM 3

Frankfort Electric and Water Plant Board
Response to PSC Order Dated: 9-5-2008
Case No. 2008-00250

ITEM 3: Refer to the Independent Auditors Report for the Year Ended June 30, 2007 and Schedule B of the Cost of Service Study. Data from the expense accounts listed in each document do not appear to match. Provide a detailed reconciliation between the Plant Board's test period actual revenues and expenses and its most recent audit report.

Response: Please see attached schedules for the reconciliation of FEWPB's test period data and the audit report for the twelve months ended June 30, 2007. Explanations for the differences are provided in the response to Item No. 4.

FRANKFORT WATER BOARD

COMPARISON OF REVENUES UNDER PRESENT RATES TO AUDIT REPORT/TB

	Revenue for Test Year Under Present Rates*	Revenue Per Audit Report/TB	Difference	Percentage Difference
City Customers				
Residential	2,081,948	2,054,488	27,460	1.34%
Commercial	1,611,648	1,635,818	6,483	0.40%
Municipal (TB INCL. IN COMM)	30,653			
Resale - Non Water Producers	1,138,887	1,136,524	2,363	0.21%
Resale - Water Producers	331,874	335,743	(3,870)	-1.15%
Gratis and Water Loading	4,763	4,288 (a)	474	11.06%
Private Fire	136,225	125,664	10,561	8.40%
Public Fire (with Adjustments)	96,844	95,523	1,321	1.38%
Subtotal	5,432,840	5,388,048	44,792	
County Customers				
Residential	1,235,126	1,218,189	16,938	1.39%
Commercial	830,339	827,913	2,426	0.29%
Municipal	151		151	
Subtotal	2,065,616	2,046,101	19,515	
Water Collection Charges (b)	45,212	45,212		
Total Revenue	7,543,668	7,479,361	64,307	0.86%

(a) Does not include water loading revenues

(b) Included in cost of service in Other Water Revenues

See below for calculation of Other Water Revenues from Trial Balances, not broken out separately in Audit Report.

Sale of Material	3,396
Mapping Income	184
Rent Clubhouse	2,390
Interest - cash working capital	3
Interest - contract fund	27,552
Interest - Revenue bonds and Sinking Fund	34,728
Interest - Revenue Bond Interest	2,890
Interest - Depreciation Fund	11,493
Interest - Operations and Maintenance	1,218
Interest - Revenue Fund	7,358
Interest - Clubhouse Fund	1,258
Miscellaneous Income	166,095
Water Collection Charges	45,212
Gratis revenue	4,325
Water Loading	546

Other Water Revenue 308,647

* Based on the application of present rates to the bill analysis.

FRANKFORT ELECTRIC AND WATER PLANT BOARD

RECONCILIATION BETWEEN PLANT BOARD TEST PERIOD EXPENSES, TRIAL BALANCES AND AUDIT REPORT

Account (1)	Cost of Service (3)	2007 Trial Balances (4)	2007 Audit Report (5)	Difference From Trial Balance/Audit (6)
OPERATION AND MAINTENANCE EXPENSES				
POWER AND PUMPING EXPENSES				
6230(PUMPING POWER	418,224	418,224		-
6330(PUMPING MAINTENANCE	20,772	20,772		-
TOTAL POWER AND PUMPING EXPENSES	438,996	438,996		-
WATER TREATMENT EXPENSE				
6410(WATER TREATMENT CHEMICALS	371,206	337,783		33,423
6420(WATER TREATMENT LABOR	317,454	313,287		4,167
6430(MISCELLANEOUS TREATMENT EXPENSE	44,371	44,371		-
6440(TREATMENT LABORATORY EXPENSE	39,310	39,310		-
6441(TREATMENT LABORATORY PAYROLL	42,230	39,170		3,061
6520(WATER TREATMENT MAINTENANCE	1,083	1,083		-
6521(WATER TREATMENT MAINT PAYROLL	72,867	75,538		(2,669)
TOTAL WATER TREATMENT EXPENSE	888,521	850,539		37,982
TRANSMISSION AND DISTRIBUTION				
6770(FIRE HYDRANTS	8,927	8,927		-
6771(FIRE HYDRANTS PAYROLL	38,199	34,631		3,568
6780(WATER DISTRIBUTION EXPENSES - MAINS	135,839	135,839		-
6780(WATER DISTRIBUTION EXPENSES - METERS	135,839	135,839		-
6780(WATER DISTRIBUTION EXPENSES - SERVICES	135,839	135,839		-
6781(WATER DIST PAYROLL - MAINS	269,218	268,220		998
6781(WATER DIST PAYROLL - METERS	269,218	268,220		998
6781(WATER DIST PAYROLL - SERVICES	269,218	268,220		998
TOTAL TRANSMISSION AND DISTRIBUTION (NET OF ENGINEERIN	1,262,297	1,255,736		6,561
DISTRIBUTION AND TREATMENT	2,589,813	2,545,271	2,545,270	44,542
7000(ENGINEERING EXPENSE ACCOUNT	7,894	7,894		-
7001(ENGINEERING PAYROLL	227,543	186,757		40,785
TOTAL ENGINEERING	235,437	194,651	194,651	40,785
TOTAL WATER DEPARTMENT EXPENSE	2,825,250	2,739,922	2,739,921	85,328
CUSTOMER ACCOUNTING AND COLLECTING EXPENSE				
9020(METER READING EXPENSES	8,873	8,873		-
9021(METER READING PAYROLL	160,344	153,358		6,986
TOTAL METER READING EXPENSES	169,217	162,231	162,230	6,986
9030(CUSTOMER RECORDS AND COLLECTION	6,291	6,291		-
9031(CUSTOMER RECORDS AND COLLECTION PAYROLL	167,644	203,615		(35,971)
TOTAL CUSTOMER RECORDS AND COLLECTION	173,935	209,906	209,906	(35,971)
9032(CASH OVER AND SHORT	(95)	(95)	(95)	-
9040(BAD DEBTS EXPENSE	22,424	22,424	22,423	-
9030 POSTAGE AND PRINTING	39,960	39,960	39,959	-
TOTAL CUSTOMER ACCOUNTING AND COLLECTING EXPENSE	405,441	434,425	434,423	(28,985)
ADMINISTRATIVE AND GENERAL EXPENSES				
9039(OFFICE SUPPLIES EXPENSE	11,028	11,028	11,027	-
9051(INFORMATION TECHNOLOGIES PAYROLL	96,184	125,359	125,358	(29,174)
9052(GIS EXPENSES	7,628	7,628	7,628	-
9052 CIS EXPENSES	41,087	41,087	41,086	-
9053(COMPUTER EXPENSE	19,974	19,974	19,973	-
9130(PUBLISHING EXPENSE	6,884	6,883	6,883	1

FRANKFORT ELECTRIC AND WATER PLANT BOARD

RECONCILIATION BETWEEN PLANT BOARD TEST PERIOD EXPENSES, TRIAL BALANCES AND AUDIT REPORT

Account (1)	Cost of Service (3)	2007 Trial Balances (4)	2007 Audit Report (5)	Difference From Trial Balance/Audit (6)
9200 ADMINISTRATIVE EXPENSE	49,474	49,474		-
9201 ADMINISTRATIVE PAYROLL	163,954	200,797		(36,844)
TOTAL ADMINISTRATIVE EXPENSE	213,427	250,271	250,270	(36,844)
RATE CASE EXPENSE	68,000	-	-	68,000
CLEARING ACCOUNT	649	649	648	-
9200 DUES AND SUBSCRIPTIONS	11,579	11,579	11,578	-
SAFETY EXPENSE	9,317	9,317	9,316	-
9207 TRAVEL AND TRAINING EXPENSE	40,862	40,862	40,861	-
9208 BOARD PAYROLL	1,151	1,488	1,488	(337)
9209 SOCIAL SECURITY EXPENSE	223,645	199,874	199,873	23,771
9233 LEGAL RETAINER FEES	8,605	8,605		-
9234 OTHER CONSULTING FEES	12,079	12,079		-
9235 OTHER LEGAL AND ACCOUNTING	22,609	22,609		-
TOTAL CONSULTING FEES	43,293	43,293	43,293	-
9240 INSURANCE EXPENSE	269,441	269,441	269,440	-
9260 UNEMPLOYMENT INSURANCE	2,954	2,954	(a)	-
9260 VACATION BENEFITS EXPENSE	148,510	148,510	148,510	-
9260 SICK BENEFITS EXPENSE	95,732	95,732	95,731	-
9261 EMPLOYEES WELFARE EXPENSE	507,482	443,196	446,150	(a) 64,286
9264 CLUBHOUSE EXPENSE	2,630	2,630	2,630	-
9264 EMPLOYEE ACTIVITY EXPENSE	11,106	11,106	11,106	-
9264 EMPLOYEE ASSISTANCE EXP	717	717	716	-
9265 COMPANY CONTRIBUTION TO EMP PENSION	468,128	361,340	361,340	106,787
9301 GENERAL EXPENSES	4,205	4,205	4,205	-
9301 MAINTENANCE EXPENSES	10,282	10,282	10,282	-
9304 CASH CONTRIBUTIONS TO CITY	3,150	3,150	3,150	-
9321 SUPPORT SERVICES EXP	24,598	24,598		-
9321 SUPPORT SERVICES PAYROLL	117,811	115,172		2,639
TOTAL SUPPORT SERVICES	142,410	139,770	139,770	2,639
9321 INVENTORY ADJUSTMENTS	(3,864)	(3,864)	(3,864)	-
9321 COST OF SALES CLEARING	1,026	1,026	1,025	-
9322 AUTO & TRUCK REPAIR EXPENSE	52,002	52,002		-
9322 AUTO & TRUCK REPAIR PAYROLL	57,013	57,004		9
TOTAL AUTO & TRUCK REPAIR	109,014	109,006	109,005	9
9322 AUTO & TRUCK GAS & OIL	100,309	100,309	100,329	-
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	2,667,939	2,468,802	2,468,807	199,137
TOTAL OPERATION AND MAINTENANCE	5,898,630	5,643,149	5,643,151	255,481
TAXES AND PAYMENTS IN LIEU OF TAXES				
9304 CITY PROP TAX / IN-LIEU-OF TAXES	34,457	34,457	34,457	-
9304 COUNTY PROP TAX / IN-LIEU-OF TAXES	14,541	14,541	14,540	-
TOTAL TAXES AND PAYMENTS IN LIEU OF TAXES	48,998	48,998	48,997	-
PLUS DEPRECIATION AND AMORTIZATION			1,227,707	
TOTAL OPERATING EXPENDITURES	5,947,628	5,692,147	6,919,855	255,481

RESPONSE TO PSC

PSC CASE NO. 2008-00250

ITEM 4

Frankfort Electric and Water Plant Board
Response to PSC Order Dated: 9-5-2008
Case No. 2008-00250

ITEM 4: Refer to the Independent Auditors Report for the Year Ended June 30, 2007 Provide written explanations and detailed work papers for each adjustment made to the test period actual revenues and expenses used to determine the Plant Board's revenue requirement.

Response: Please see Schedule E pages 1 to 4 in the Cost of Service Study for the calculation of revenue during the test year. These revenues were developed through the application of present rates to the bill analysis and will not reflect billing adjustments or other billing corrections made during the year. There are no specific adjustments related to revenue as compared to the Auditors Report.

For expense adjustments, please see attached schedule.

Labor

Pro forma Cost of Service labor was based on the actual payroll expenses during the first 12 pay periods of the fiscal year ended June 30, 2008, annualized to 26 pay periods. In order to calculate the pro forma labor in column (5), column (3) was divided by 12 and multiplied by 26 pay periods and added to column (4), which includes an added position in administration, to equal column (5).

Benefits

The Pro forma Cost of Service Social Security Expense and the Company Contribution to the Pension Fund was based on the actual expenses during the first 12 pay periods of the fiscal year ended June 30, 2008, annualized to 26 pay periods. In order to calculate the pro forma expenses for these items in column (5), column (3) was divided by 12 and multiplied by 26 pay periods and added to column (4) to equal column (5). Pro forma Cost of Service Employees Welfare Expenses was based on the actual expenses during the first 12 pay periods of the fiscal year ended June 30, 2008, annualized to 24 pay periods. In order to calculate the pro forma expenses for these items in column (5), column (3) was divided by 12 and multiplied by 24 pay periods and added to column (4) to equal column (5).

Chemicals

The Pro forma Chemical Expense was based on the three year average of pounds of each chemical purchased, multiplied by the 2007 chemical prices in effect. Therefore, column (7) equals column (5), multiplied by column (6).

Rate Case Expense

Rate Case Expense, estimated to be \$68,000, was added to the Pro forma Cost of Service since the FEWPB did not incur any rate case expense in the fiscal year ended June 30, 2007.

FRANKFORT ELECTRIC AND WATER PLANT WATER BOARD

LABOR ADJUSTMENTS

Account	Trial Balance 2007	12 Pay Periods TB 2008	Additional Position	Proforma Cost Cost of Service	Difference from 2007 Trial Balance	Percentage Change
(1)	(2)	(3)	(4)	(5)	(6)=(5)-(2)	(7)
642000 WATER TREATMENT LABOR	313,287	146,517		317,454	4,167	1.33%
644100 TREATMENT LABORATORY PAYROLL	39,170	19,491		42,230	3,061	7.81%
652100 WATER TREATMENT MAINT PAYROLL	75,536	33,631		72,867	(2,669)	-3.53%
677100 FIRE HYDRANTS PAYROLL	34,631	17,630		38,199	3,568	10.30%
678100 WATER DIST PAYROLL	804,660	372,763		807,653	2,993	0.37%
700100 ENGINEERING PAYROLL	186,757	105,020		227,543	40,785	21.84%
902100 METER READING PAYROLL	153,358	74,005		160,344	6,986	4.56%
920100 ADMINISTRATIVE PAYROLL	209,797	72,465	6,946	163,954	(36,844)	-18.35%
920820 BOARD PAYROLL	1,488	531		1,151	(337)	-22.63%
932120 SUPPORT SERVICES PAYROLL	115,172	54,374		117,811	2,639	2.29%
905100 INFORMATION TECHNOLOGIES PAYROLL	125,359	44,393		96,184	(29,174)	-23.27%
932210 AUTO & TRUCK REPAIR PAYROLL	57,004	26,314		57,013	9	0.02%
903100 CUSTOMER RECORDS AND COLLECTION	203,615	77,374		167,644	(35,971)	-17.67%
TOTAL LABOR ADJUSTMENT	2,310,836	1,044,509	6,946	2,270,049	-40,787	

BENEFIT ADJUSTMENTS

Account	Trial Balance 2007	12 Pay Periods Trial Balance 2008	Additional Position	Proforma Cost Cost of Service	Difference from 2007 Trial Balance	Percentage Change
(1)	(2)	(3)	(4)	(5)	(6)=(5)-(2)	(7)
920910 SOCIAL SECURITY EXPENSE	199,874	103,221		223,645	23,771	11.89%
926100 EMPLOYEES WELFARE EXPENSE	443,196	253,741		507,482	64,286	14.51%
926500 COMPANY CONTRIBUTION TO EMP PENSION	361,340	215,335	1,568	468,128	106,787	29.55%
TOTAL BENEFIT ADJUSTMENT	1,004,411	572,297	1,568	1,199,255	194,845	

CHEMICAL ADJUSTMENT

CHEMICAL	2005 Pounds	2006 Pounds	2007 Pounds	Average	Current Prices	Annual Cost
(1)	(2)	(3)	(4)	(5)	(6)	(7)=(5)X(6)
SLI-321			17,099	17,099	0.4170	7,130
FLUORIDE	118,721	117,891	123,717	120,110	0.1895	22,761
CHLORINE	156,000	172,000	160,000	162,667	0.2035	33,103
KMND4 (POTASSIUM PERMANGANATE)	1,650	9,012	7,096	5,919	2.1700	12,845
NAOH	802,563	617,630	590,241	670,145	0.1070	71,705
CARBON	2,280	40,968	41,291	28,180	0.5100	14,372
POLYALUMINUM CHLORIDE	506,649	481,330	500,994	496,324	0.1690	83,879
FERR CHL	1,660,624	1,011,011	1,152,828	1,274,821	0.0875	111,547
NH4	25,700	30,405	23,882	26,662	0.5200	13,864
TOTAL	3,274,187	2,480,247	2,617,148	2,801,927		371,206

CHEMICAL COSTS PER TRIAL BALANCE						337,783
CHEMICAL ADJUSTMENT						33,423

SUMMARY OF ADJUSTMENTS

TOTAL RATE CASE EXPENSE ADJUSTMENT						68,000
TOTAL LABOR ADJUSTMENTS						(40,787)
TOTAL BENEFIT ADJUSTMENTS						194,845
TOTAL CHEMICAL ADJUSTMENTS						33,423
TOTAL EXPENSE ADJUSTMENTS						255,481

RESPONSE TO PSC

PSC CASE NO. 2008-00250

ITEM 5

Frankfort Electric and Water Plant Board
Response to PSC Order Dated: 9-5-2008
Case No. 2008-00250

ITEM 5: Refer to the Cost of Service Study at page 4 of Schedule B. The chart lists the cost of service on capital projects to be \$1,136,245. List each capital project included within this amount, state the time period during which each project will be constructed, and explain why the cost of each of these projects is being allocated to wholesale water customers.

Response: A three-year average of capital expenditures was used to determine the amount needed in the cost of service study. Please see chart below.

2005	\$ 575,122
2006	1,388,247
2007	<u>1,445,365</u>
Three Year Average	\$ 1,136,245

The allocation of the average annual capital expenditures was allocated to all classifications based on the allocation of rate base shown on page 30 of the cost of service allocation report.

RESPONSE TO PSC

PSC CASE NO. 2008-00250

ITEM 6

Frankfort Electric and Water Plant Board
Response to PSC Order Dated: 9-5-2008
Case No. 2008-00250

ITEM 6: Identify and quantify all post-test period expenditures that were capitalized by the Plant Board.

Response: Please see attached Exhibit 1.

Budget Code	Project	Job Description	Year to Date	Budgeted	Dept.
10637	A	MEMORIAL BAPTIST CHURCH	168.64		E
10638	A	STARBUCKS-DAIRY QUEEN	318.12		E
10639	A	KU CLEARANCES	1,203.15		E
10642	A	SL CITY OF FRANKFORT	66.90		E
10644	A	SL CITY OF FRANKFORT	2,798.26		E
10645	A	JIM PLEMMONS	1,151.54		E
10647	A	CAPITAL DAY SCHOOL	66.90		E
10655	A	JOHN BRAWNER	30.98		E
8751	S	US 421	260,193.05		E
9320	A	WATER TOWER PLACE	4,426.46		E
9560	C	SYCAMORE CROSSINGS	6,486.79		E
9590	C	DUCKERS, PHASE 8-THE VILLAGE	45,484.71		E
9596	C	PEBBLE BROOK SUBD.	96,419.04		E
9677	A	CHOATESVILLE CHRISTIAN CHURCH	625.86		E
9847	C	PINE WOODS SUBDIVISION	50,512.13		E
9852	C	VILLAS AT BERRY HILL	124,846.24		E
9860	A	UNITED METHODIST CHURCH	-843.11		E
9993	A	NEW YOUNG HALL DORM	16,698.37		E
9995	A	SCOTTY WOOLDRIDGE	2,633.13		E
		Type Total	1,025,562.63	1,151,000.00	
G		ELECTRIC EQUIPMENT		160,000.00	
10434	Y	ELECTRIC ENG EQUIPMENT	13,006.45		E
10439	Y	ELECTRIC EQ PURCHASES	22,896.61		E
		Type Total	35,903.06	160,000.00	
02 WATER DISTRIBUTION DIVISION					
A		SYSTEM CAPACITY IMPROVEMENTS		0.00	
7348	B	E FRANKFORT # 1 CONTRACT PART	49,955.06		W
		Type Total	49,955.06	0.00	
D		DISTRIBUTION SYSTEM IMP/EXT/UPG		491,700.00	
10056	R	CAVERN-CRYSTAL DRIVES	45.32		W
10256	B	CHEMICAL DOSING ENG STUDY	182,524.45		W
10258	A	RED BRIDGE PHASE 1	166,535.50		W
10280	R	VALLEY VISTA-DAKOTA WATER EXT	5,535.64		W

Budget Code	Project	Job Description	Year to Date	Budgeted	Dept.
10289	R	VERSAILLES RD TIE IN	341.92		W
10357	R	SINGING BRIDGE VALVE REPLACEMT	21,304.46		W
10397	A	JIM PLEMMONS	305.36		W
10487	B	TRACY COURT	513.84		W
10488	R	STEELE ST-RIVERVIEW COURT	1,000.91		W
10506	R	HILAND PARKWAY	17,697.08		W
10539	B	TEN TON HOIST	2,502.37		W
10559	B	RESERVOIR LINER	10,072.40		W
10650	A	RED BRIDGE PHASE 2	726.22		W
10651	R	SERVICE CENTER PARKING LOT	3,412.62		W
9597	C	PEBBLE BROOK SUBD.	11,162.76		W
		Type Total	423,680.85	491,700.00	
E	WATER SERVICES			96,700.00	
10420	Y	NEW SERVICES WATER	89,764.32		W
10532		BRUCE IRVINE	2,193.28		W
10643		FPB CONTRIBUTION SFWMG STUDY	5,000.00		W
		Type Total	96,957.60	96,700.00	
F	WATER ADVANCES AND CONTRACTS			2,476,600.00	
10004	A	FRANKFORT REGIONAL MED CENTER	2,579.80		W
10016	A	HONDA OF FRANKFORT	2,427.44		W
10017	A	CAPITAL CITY CHRISTIAN	970.20		W
10063	A	FIRST UNITED METHODIST CHURCH	115.00		W
10064	A	MILLCREEK PARK	500.00		W
10073	A	NEW CAPITAL CHILLER PLANT	3,997.83		W
10154	C	HOMESTEAD OAKS	226.60		W
10157	C	PARKSIDE DEVELOPMENT	134,619.36		W
10173	A	GLENNS CREEK #2	-261.69		W
10182	A	FRANKFORT HIGH SCHOOL	7,192.35		W
10192	A	KSU YOUNG HALL	8,339.66		W
10213	C	ENGLEWOOD BUSINESS PARK	3,373.40		W
10234	A	KSU FIRE SERVICE	3,338.48		W
10239	A	AFFHOLDER TUNNELL	-1,106.90		W
10251	C	TURNBERRY GARDENS	16,680.77		W
10297	A	FRANKFORT PUBLIC SAFETY BUILDG	7,496.40		W

Budget Code	Project	Job Description	Year to Date	Budgeted	Dept.
10305	C	COPPERLEAF SUBDIVISION	38,513.37		W
10327	A	GRAND THEATER	283.96		W
10335	A	TOBACCO GRADING FACILITY	10,004.64		W
10347	A	GRACE FELLOWSHIP CHURCH	7,010.59		W
10356	A	BELMONT COURT #70	9,972.04		W
10365	A	FRANKLIN CO ELEMENTARY	8,901.01		W
10380	A	KOHL'S	4,769.20		W
10464	A	EAGLES ROOST PHASE 2	9,016.09		W
10469	C	GEVEDEN FARM	739.73		W
10474	A	KDA PETROLEUM LAB	5,829.16		W
10494	C	OAKWOOD SUBD	67.98		W
10508	A	CATTLEMANS ROADHOUSE	9,929.77		W
10513	A	GRASSY SPRINGS WOODFORD CO	1,221.35		W
10514	C	COPPERLEAF RESIDENTIAL	162.78		W
10529	A	STARBUCKS	37.11		W
10538	S	KSP INFORMATION SERVICES CENTR	679.80		W
10564	A	STEELE RD WOODFORD CO	419.21		W
10565	A	MCCRACKEN #1 WOODFORD CO	951.29		W
10566	A	MCCRACKEN #2 WOODFORD CO	1,180.24		W
10567	A	CLIFTON RD WOODFORD CO	580.89		W
10592	A	HOLMES STREET AREA A	1,583.36		W
10619	A	APARTMENTS AT DUCKERS	113.30		W
10640	A	PARKSIDE STRIP MALL	408.21		W
8752	S	US 421	1,200,603.33		W
9300	C	WATER TOWER PLACE	38,547.11		W
9437	C	DUCKERS PH VIII--THE VILLAGE	12,387.96		W
9535	C	ROCKWOOD CONDO'S	1,059.64		W
9846	C	PINE WOODS SUBDIVISION	39,536.68		W
9851	C	VILLAS AT BERRY HILL	102,716.22		W
9879	A	NORTH SHELBY W.L. UPGRADE	7,749.96		W
9921	C	PINEHILL SECOND FEED	1,117.76		W
		Type Total	1,706,582.44	2,476,600.00	
G	WATER EQUIPMENT			66,800.00	
10423	Y	NEW EQUIPMENT WATER	9,825.00		W
10427	Y	WATER ENGINEERING EQP	0.00		W
10429	Y	SMALL TOOLS & EQP	11,474.62		W

Budget Code	Project	Job Description	Year to Date	Budgeted	Dept.
		Type Total	21,299.62	66,800.00	
WATER TREATMENT DEPT.					

10389 B Reroof Water Treatment Plant \$175,329.41

RESPONSE TO PSC

PSC CASE NO. 2008-00250

ITEM 7

Frankfort Electric and Water Plant Board
Response to PSC Order Dated: 9-5-2008
Case No. 2008-00250

ITEM 7: Refer to the Cost of Service Study at page 4 of Schedule B.
Provide a detailed schedule listing each debt included in the
debt service on bonds of \$1,077,473.

Response: See attached schedule.

**FRANKFORT ELECTRIC AND WATER PLANT BOARD
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
ON THE 1999 BOND ISSUE**

PAY DATE	PRINC	INT	TOTAL
6/1/2000		\$ 351,378.13	\$ 351,378.13
12/1/2000	\$ 385,000.00	\$ 351,378.13	\$ 736,378.13
6/1/2001		\$ 341,560.63	\$ 341,560.63
12/1/2001	\$ 405,000.00	\$ 341,560.63	\$ 746,560.63
6/1/2002		\$ 331,233.13	\$ 331,233.13
12/1/2002	\$ 425,000.00	\$ 331,233.13	\$ 756,233.13
6/1/2003		\$ 320,342.50	\$ 320,342.50
12/1/2003	\$ 445,000.00	\$ 320,342.50	\$ 765,342.50
6/1/2004		\$ 308,939.38	\$ 308,939.38
12/1/2004	\$ 470,000.00	\$ 308,939.38	\$ 778,939.38
6/1/2005		\$ 296,895.63	\$ 296,895.63
12/1/2005	\$ 495,000.00	\$ 296,895.63	\$ 791,895.63
6/1/2006		\$ 284,211.25	\$ 284,211.25
12/1/2006	\$ 520,000.00	\$ 284,211.25	\$ 804,211.25
6/1/2007		\$ 270,886.25	\$ 270,886.25
12/1/2007	\$ 550,000.00	\$ 270,886.25	\$ 820,886.25
6/1/2008		\$ 256,586.25	\$ 256,586.25
12/1/2008	\$ 580,000.00	\$ 256,586.25	\$ 836,586.25
6/1/2009		\$ 241,361.25	\$ 241,361.25
12/1/2009	\$ 610,000.00	\$ 241,361.25	\$ 851,361.25
6/1/2010		\$ 225,348.75	\$ 225,348.75
12/1/2010	\$ 640,000.00	\$ 225,348.75	\$ 865,348.75
6/1/2011		\$ 208,548.75	\$ 208,548.75
12/1/2011	\$ 675,000.00	\$ 208,548.75	\$ 883,548.75
6/1/2012		\$ 190,830.00	\$ 190,830.00
12/1/2012	\$ 715,000.00	\$ 190,830.00	\$ 905,830.00
6/1/2013		\$ 171,882.50	\$ 171,882.50
12/1/2013	\$ 755,000.00	\$ 171,882.50	\$ 926,882.50
6/1/2014		\$ 151,497.50	\$ 151,497.50
12/1/2014	\$ 795,000.00	\$ 151,497.50	\$ 946,497.50
6/1/2015		\$ 129,635.00	\$ 129,635.00
12/1/2015	\$ 840,000.00	\$ 129,635.00	\$ 969,635.00
6/1/2016		\$ 106,535.00	\$ 106,535.00
12/1/2016	\$ 885,000.00	\$ 106,535.00	\$ 991,535.00
6/1/2017		\$ 82,197.50	\$ 82,197.50
12/1/2017	\$ 935,000.00	\$ 82,197.50	\$ 1,017,197.50
6/1/2018		\$ 56,485.00	\$ 56,485.00
12/1/2018	\$ 990,000.00	\$ 56,485.00	\$ 1,046,485.00
6/1/2019		\$ 29,260.00	\$ 29,260.00
12/1/2019	\$ 1,045,000.00	\$ 29,260.00	\$ 1,074,260.00
	\$ 13,160,000.00	\$ 8,711,228.80	\$ 21,871,228.80

RESPONSE TO PSC

PSC CASE NO. 2008-00250

ITEM 8

Frankfort Electric and Water Plant Board
Response to PSC Order Dated: 9-5-2008
Case No. 2008-00250

- ITEM 8: Refer to the data listed under the heading Transmission and Distribution in the Cost of Service Study at page 1 of Schedule B. For each of the following expenses, provide in detail the components and the allocation of each itemized expense, including a detailed breakdown of each expense
- a. Water Distribution Expenses - Mains
 - b. Water Distribution Expenses - Meters
 - c. Water Distribution Expenses - Services
 - d. Water Dist Payroll - Mains
 - e. Water Dist Payroll - Meters
 - f. Water Dist Payroll - Services

Response: Since FEWPB does not track water distribution expenses by mains, meters and services, expenses listed a, b, and c, were assigned to mains, meters and services using one-third of the total water distribution expense for each category. This was determined to be reasonable based on the activities performed by the personnel within this account. The same method was applied to water distribution payroll.

